

FDIC State Profile

Winter 2004

South Carolina

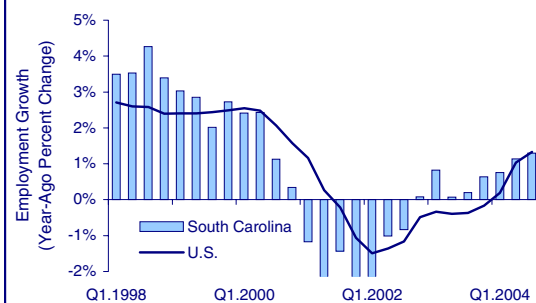
South Carolina continues its steady economic recovery.

- Payroll growth remained positive in late 2004, continuing a one-year trend of slow but steady economic growth (See Chart 1). However, this growth is tempered by a long-term decline in the state's manufacturing sectors. Firms that produce non-durable goods, such as apparel, textiles, and paper products, are rapidly leaving the state for the lower labor cost benefits of off-shore production.
- Overall exports from the state are increasing, in part because of the burgeoning automobile production industry. Nonetheless, expansion in this industry has not mitigated overall declines in state-wide manufacturing payrolls.
- The **Charleston** metropolitan area has one of the strongest economies in the state, particularly in terms of leisure and hospitality industry growth. The **Greenville** metropolitan area continues to experience overall payroll contractions, mostly from traditional manufacturing industries.
- Coastal regions remain the strongest areas of the state's economy; most of these areas have experienced economic improvement from the previous quarter. Upstate counties that had previously exhibited few signs of economic recovery following the 2001 recession are now showing steady improvement.
- In 2005, the state's overall economic growth is expected to remain steady. This growth is contingent on the continued expansion of payrolls in the service-providing and automobile manufacturing sectors.

Most counties have reduced unemployment from year-ago rates.

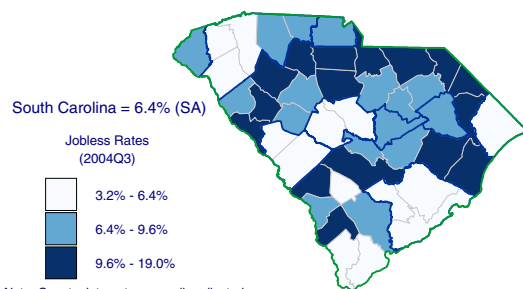
- Jobless rates in the state continue to trend higher than national levels due to continued furloughs of manufacturing workers. However, the number of counties that experienced a year-ago decline in jobless rates has increased to 34 of 46 counties in late 2000. State weekly unemployment claims have been declining steadily for the past year, nearing pre-recession filing rates (See Map 1).

Chart 1: South Carolina's Job Growth Continues to Improve



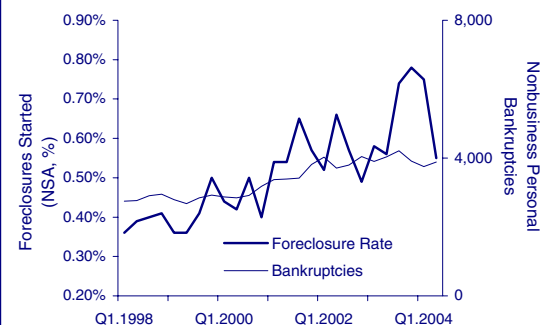
Source: Bureau of Labor Statistics/Haver Analytics

Map 1: Jobless Rates in Many Rural South Carolina Counties Remain High



Note: County data not seasonally-adjusted.
Source: Bureau of Labor Statistics/Haver Analytics

Chart 2: South Carolina Consumer Credit Quality



Source: US Courts, Mortgage Bankers Association (Haver Analytics)

State Profile

South Carolina's real estate market has experienced tremendous growth.

- Most metropolitan areas experienced growth in new home construction in late 2004. Homebuilding in **Florence**, however, contracted slightly but economic improvement in the region should mediate the decline.
- Overall median home price appreciation from year-ago levels slowed across the state to less than a percentage point. Much of the decline in home prices occurred in the Hilton Head area, where year-ago prices on new and existing homes declined for the second straight quarter. The Pee Dee, **Southern Midlands**, and **Beaufort** regions continue to experience a general increasing trend in median home prices.
- At community banks¹ in South Carolina, construction and development (C&D) lending, which is primarily for residential real estate construction, grew 45 percent during the 12-month period ending September 30, 2004. This compares to a 19 percent growth rate in the year earlier period. At the end of third quarter 2004, C&D loans accounted for 8.0 percent of the state's total assets, up from 6.1 percent in the previous annual period. The **Augusta-Aiken** and Myrtle Beach MSAs had two of the highest C&D exposure levels nationwide.
- Commercial real estate (CRE) in the **Low Country** area was robust in third quarter 2004. Approximately 250,000 square feet of office real estate, and 1 million square feet of industrial real estate will be added to the market next year in **Charleston**, the largest market in the state. Much of this growth is attributed to growth in trading ports and defense-related industries.
- CRE remained one of the largest loan categories at 18.1 percent of total assets at September 30, 2004, up from 17.7 percent in the previous year. The state had three of its metro areas ranked in the top 50 nationally with regard to CRE capital exposure, including Augusta-Aiken (19th, 470 percent), Myrtle Beach (36th, 416 percent), and Charleston (43rd, 400 percent). Furthermore, no signs of deterioration were evident in CRE asset quality measures.

Foreclosures are among the highest in the nation as home equity loans continue to grow.

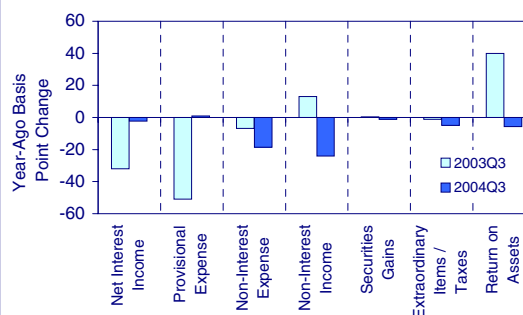
- The state had the fourth worst mortgage foreclosure rate in the nation, though the overall rate of personal bankruptcy filings improved from year-ago levels (See Chart 2).

- At the end of third quarter 2004, home equity loans (HEL) grew 30 percent over the 12-month period to 4 percent of assets, up from 3.5 percent a year earlier. While still a relatively small asset class, the threat of rising interest rates and continued weak wage and job growth in 2005 may lead to higher debt service burdens, which may place further stress on the state's consumers.

Earnings growth at South Carolina community banks slowed in third quarter 2004 as net income reaches a milestone.

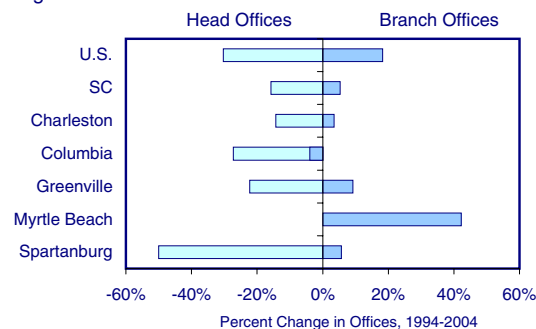
- Despite a slowdown in earnings during the 12 months ending September 30, 2004, net income reached a record high \$119 million during the period. Earnings grew just 5 percent during the period compared to 13 percent in the year earlier period. Nevertheless, median return on assets (ROA) and net interest margins (NIMs) softened year-over-year as a drop in asset yields and noninterest revenues were too much to overcome (See Chart 3).
- In addition to a reduction in main offices from 1994 to 2004, branching activity in South Carolina has lagged the nation. With the exception of Myrtle Beach, branching activity inside major metropolitan areas across the state has been well below average (See Chart 4).

Chart 3: Contributions to Return on Assets at South Carolina Community Banks



Source: FDIC (Aggregate Year-to-Date)

Chart 4: Branching Activity in South Carolina Generally Lags the Nation



Source: FDIC/OTS Summary of Deposits

¹Community banks have assets less than \$1 billion dollars and exclude denovos and specialty institutions. This group of banks has been adjusted for mergers.

State Profile

South Carolina at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	97	98	103	104	108
Total Assets (in thousands)	43,252,580	38,487,401	35,643,049	33,410,689	30,822,974
New Institutions (# < 3 years)	3	5	8	14	15
New Institutions (# < 9 years)	29	28	31	30	30
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	9.53	9.44	9.65	9.88	10.59
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	1.47%	1.74%	1.58%	1.88%	1.44%
Past-Due and Nonaccrual >= 5%	11	14	12	10	8
ALLL/Total Loans (median %)	1.24%	1.24%	1.19%	1.20%	1.17%
ALLL/Noncurrent Loans (median multiple)	2.00	2.01	2.12	1.79	2.68
Net Loan Losses/Loans (aggregate)	0.25%	0.36%	0.39%	0.24%	0.18%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	5	3	6	14	13
Percent Unprofitable	5.15%	3.06%	5.83%	13.46%	12.04%
Return on Assets (median %)	0.93	0.99	1.07	0.92	1.04
25th Percentile	0.69	0.74	0.75	0.50	0.53
Net Interest Margin (median %)	3.99%	4.07%	4.34%	4.08%	4.40%
Yield on Earning Assets (median)	5.39%	5.84%	6.53%	7.92%	8.26%
Cost of Funding Earning Assets (median)	1.46%	1.76%	2.29%	4.03%	4.10%
Provisions to Avg. Assets (median)	0.17%	0.20%	0.26%	0.20%	0.18%
Noninterest Income to Avg. Assets (median)	0.81%	0.91%	0.77%	0.75%	0.66%
Overhead to Avg. Assets (median)	2.96%	3.03%	2.95%	3.01%	3.01%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	87.48%	82.26%	84.95%	85.95%	83.69%
Loans to Assets (median %)	69.93%	68.39%	70.03%	68.00%	68.97%
Brokered Deposits (# of Institutions)	27	20	18	12	11
Bro. Deps./Assets (median for above inst.)	4.03%	3.79%	6.07%	2.22%	2.75%
Noncore Funding to Assets (median)	23.88%	22.40%	23.41%	21.82%	21.03%
Core Funding to Assets (median)	64.96%	65.77%	65.62%	65.37%	66.46%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	47	47	49	49	47
National	25	25	26	25	24
State Member	3	3	3	3	7
S&L	10	10	10	12	12
Savings Bank	11	12	14	15	18
Stock and Mutual SB	1	1	1	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	49	9,073,749	50.52%	20.98%	
Greenville-Spartanburg-Anderson SC	21	18,636,498	21.65%	43.09%	
Charleston-North Charleston SC	6	3,305,637	6.19%	7.64%	
Myrtle Beach SC	5	2,646,356	5.15%	6.12%	
Florence SC	5	582,847	5.15%	1.35%	
Columbia SC	4	4,665,292	4.12%	10.79%	
Charlotte-Gastonia-Rock Hill NC-SC	3	398,996	3.09%	0.92%	
Sumter SC	2	3,268,416	2.06%	7.56%	
Augusta-Aiken GA-SC	2	674,789	2.06%	1.56%	